

SENATE RECORD VOTE ANALYSIS

104th Congress
2nd Session

Vote No. 234

July 24, 1996, 11:14 am
Page S-8590 Temp. Record

AGRICULTURE APPROPRIATIONS/Peanut Loan Limitation

SUBJECT: Agriculture, Rural Development, and Related Agencies Appropriations Bill for fiscal year 1997 . . . H.R. 3603. Cochran motion to table the Santorum amendment No. 4995.

ACTION: MOTION TO TABLE AGREED TO, 64-34

SYNOPSIS: As reported, H.R. 3603, the Agriculture, Rural Development, and Related Agencies Appropriations Bill for fiscal year 1997, will appropriate \$54.3 billion in new budget authority, 76 percent of which will be for mandatory spending programs and 76 percent of which will be for food welfare programs (both mandatory and discretionary).

The Santorum amendment would prohibit using funds from this Act to give a total amount of nonrecourse loans in excess of \$125,000 to a producer of a crop of quota peanuts. (A "nonrecourse" loan is one in which the debt may be repaid with the collateral that is put up instead of with cash. The recently enacted Farm Bill made several changes to the peanut program. The price support for quota peanuts was reduced to \$610/ton and frozen through 2002, the price support escalator was eliminated, and the national poundage quota floor and undermarketing provisions were eliminated. For a more detailed description of the peanut program, see vote No. 13.)

Following debate, Senator Cochran moved to table the Santorum amendment. Generally, those favoring the motion to table favored the amendment; those opposing the motion to table opposed the amendment.

Those favoring the motion to table contended:

Listening to our colleagues, one might well come away with the impression that the purpose of this amendment is to limit the amount that the Federal Government gives to peanut growers to \$125,000. However, the peanut program does not give any money to anybody. Under the peanut program, the Federal Government gives nonrecourse loans, just as it gives nonrecourse loans for other commodities, to program participants. Under a nonrecourse loan, the Government gives money based on a set price for a commodity, and if the farmer is unable to get more than that price he has the option of repaying the loan by giving the Government the commodity

(See other side)

YEAS (64)				NAYS (34)		NOT VOTING (2)	
Republican (31 or 61%)		Democrats (33 or 70%)		Republicans (20 or 39%)	Democrats (14 or 30%)	Republicans (2)	Democrats (0)
Abraham	Helms	Akaka	Hollings	Ashcroft	Biden	Kassebaum- ⁴	
Bennett	Hutchison	Baucus	Inouye	Brown	Boxer	Stevens- ²	
Bond	Inhofe	Bingaman	Johnston	Chafee	Bradley		
Burns	Jeffords	Breaux	Kerrey	Coats	Bryan		
Campbell	Kempthorne	Bumpers	Leahy	Cohen	Feingold		
Cochran	Lott	Byrd	Levin	D'Amato	Glenn		
Coverdell	Mack	Conrad	Mikulski	DeWine	Kennedy		
Craig	McConnell	Daschle	Moseley-Braun	Frist	Kerry		
Domenici	Murkowski	Dodd	Murray	Gorton	Kohl		
Faircloth	Nickles	Dorgan	Nunn	Grams	Lautenberg		
Frahm	Pressler	Exon	Pell	Gregg	Lieberman		
Gramm	Shelby	Feinstein	Pryor	Kyl	Moynihan		
Grassley	Simpson	Ford	Robb	Lugar	Reid		
Hatch	Thomas	Graham	Rockefeller	McCain	Wellstone		
Hatfield	Thurmond	Harkin	Sarbanes	Roth			
	Warner	Heflin	Simon	Santorum			
			Wyden	Smith			
				Snowe			
				Specter			
				Thompson			

EXPLANATION OF ABSENCE:

- 1—Official Business
- 2—Necessarily Absent
- 3—Illness
- 4—Other

SYMBOLS:

- AY—Announced Yea
- AN—Announced Nay
- PY—Paired Yea
- PN—Paired Nay

in repayment of the loan. Farming is a capital-intensive business, and it is a risky business. Those loans establish a floor on peanut prices that make peanut farming a viable business, just as they do for other commodities. The loan rates are set, as our colleagues have noted, so that it is very unlikely that the Government will ever have to accept peanuts as repayment for a nonrecourse loan.

Under the peanut program, nonrecourse loans are only given for quota peanuts. The Federal Government limits the amount of peanuts that may be sold for domestic human consumption to increase the quality of those peanuts. Limiting the amount increases the price and increases the quality. Peanuts that are sold for human consumption in America are subjected to very strict standards. Literally every single peanut kernel is inspected electronically to make sure that it is safe; the same cannot be said for other peanuts and peanut products. It is true that the cost of the peanuts that are sold for human consumption in America is higher than the cost of inferior foreign peanuts; however, it is not true that consumers pay that cost. For most peanut products sold in America, the cost of the peanuts in the products contribute little to the price. For instance, the peanuts in a Snickers Bar add 2 cents to the manufacturers' price of 55 cents. If peanuts were sold at the world market rate instead of the quota rate, the savings would be less than 1 cent per candy bar. How would the manufacturer pass that on to the consumer?

Some Senators have complained that access to the peanut program is restricted. While true, it is also true that it has had more new participants than other commodity programs. Growers who want to produce the high quality peanuts that are necessary to be in the quota peanut program have little difficulty joining. When they do, they gain more for their peanuts, the Federal Government does not lose any money, and consumers get a better peanut at no extra cost.

Our colleagues, though, seem to think that giving nonrecourse loans is actually the same as giving money to peanut farmers. As we have already explained, it is not. The Government, for other commodities, does give cash payments to farmers when their crops fail, but the peanut program is different. All it offers is a safety net of a guaranteed price. The Santorum amendment would limit each farmer to \$125,000 worth of loans. On average, a farmer with 156 acres or more who grows peanuts will grow more than \$125,000 worth of them per year. The Santorum amendment, therefore, would reduce the farming safety net for many farmers of modest means. Accordingly, we must urge Senators to join us in voting to table it.

Those opposing the motion to table contended:

The Santorum amendment would impose a limitation on the peanut program that could affect only the 1,900 richest peanut farmers in America and would probably never affect them. It is a very modest amendment in what it is trying to accomplish. The peanut program is a very complicated program that was created in the Great Depression. It limits the amount of peanuts that may be grown for domestic human consumption, and then it distributes quotas to peanut growers for producing those peanuts. Quotas are handed down from generation to generation, with large absentee landholders holding huge percentages of them. The Government gave these quotas out for free. The farmers themselves run the program; rich farmers who dominate the running of the program, not surprisingly, have given most of the quotas to themselves. In total, according to the General Accounting Office, 22 percent of the peanut growers in America receive 85 percent of the quota benefits. Having a quota is a huge benefit, because one is guaranteed to be able to sell one's peanuts for at least \$610/ton, which is well above the world market price of \$350/ton. One is guaranteed that benefit because the Federal Government gives nonrecourse loans for that amount. If a farmer has peanuts that he cannot sell for less than \$610/ton, he can get a loan from the Federal Government using those peanuts as collateral at that price, and then may pay the loan back with those peanuts. In effect, the United States guarantees that it will buy peanuts from quota holders for \$610/ton. What the Santorum amendment would do is say that the Federal Government would only give individual farmers nonrecourse loans of up to \$125,000. In total, only 1,900 quota farmers would be limited by this amendment, because only 1,900 quota farmers produce \$125,000 or more of peanuts each year. However, not one of them would likely end up losing 1 red cent from this limitation. The reason is that the Government restricts the number of quotas that it gives enough to drive up the price of peanuts in America to more than \$610/ton. In other words, quota peanut farmers do not need nonrecourse loans guaranteeing that the Government will buy their peanuts at twice the world market rate if they cannot find buyers at even higher rates, because the Government peanut cartel so limits the supply of peanuts that they will always be able find buyers at those higher rates. Half of all the peanuts that are grown in America are not quota peanuts. By law, they can only be exported or sold for animal feed or peanut oil. Though they are no different than other peanuts, if they are sold to be eaten by Americans their growers can be thrown in jail. These peanut growers are able to stay in business selling their peanuts at the world rate of \$350/ton. We think that the few rich millionaires whom the Government guarantees at least \$610/ton for their peanuts could get by on \$350/ton as well. Still, the Santorum amendment would not change the quota system. All it would do is end the nonrecourse loan guarantee for the very richest of growers, and doing so would likely never have any effect because the Government would still keep the prices high with quotas. We know that Senators are unwilling to scrap this unjust subsidy program, but we hope that they will agree to the minor change that is proposed in the Santorum amendment.